

**AMENDMENT TO H.R.  
OFFERED BY MR. RANGEL OF NEW YORK**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. SHORT TITLE.**

**2 (a) SHORT TITLE.**—This Act may be cited as the  
**3 “Tax Reduction Act of 2001”.**

**4 (b) AMENDMENT OF 1986 CODE.**—Except as other-  
**5 wise expressly provided, whenever in this Act an amend-**  
**6 ment or repeal is expressed in terms of an amendment**  
**7 to, or repeal of, a section or other provision, the reference**  
**8 shall be considered to be made to a section or other provi-**  
**9 sion of the Internal Revenue Code of 1986.**

**10 (c) SECTION 15 NOT TO APPLY.**—No amendment  
**11 made by this Act shall be treated as a change in a rate**  
**12 of tax for purposes of section 15 of the Internal Revenue**  
**13 Code of 1986.**

**14 (d) TABLE OF CONTENTS.—**

Sec. 1. Short title.

TITLE I-REFUND OF 2000 INDIVIDUAL INCOME TAXES

Sec. 101. Refund of 2000 individual income taxes.

TITLE II-INDIVIDUAL INCOME TAX RATE REDUCTIONS;  
EXPANSION OF EARNED INCOME CREDIT ASSISTANCE

Sec. 201. Individual income tax rate reductions.

Sec. 202. Modifications to earned income tax credit.

TITLE III-MARRIAGE PENALTY RELIEF

Sec. 301. Marriage penalty relief.

2/3/4

1           **TITLE I—REFUND OF 2000**  
2           **INDMDUAL INCOMETAXES**

3   **SEC. 101. REFUND OF 2000 INDIVIDUAL INCOME TAXES.**

4           (a) **IN GENERAL.**—Subchapter B of chapter 65 (re-  
5   lating to rules of special application) is amended by adding  
6   at the end the following new section:

7   **“SEC. 6428. REFUND OF 2000 INDIVIDUAL INCOME TAXES.**

8           “(a) **IN GENERAL.**—Except as otherwise provided in  
9   this section, each individual shall be treated as having  
10   made a payment against the tax imposed by chapter 1 for  
11   such individual’s first taxable year beginning in 2000 in  
12   an amount equal to 100 percent of the amount of such  
13   individual’s net Federal tax liability for such taxable year.

14           “(b) **MAXIMUM PAYMENT.**—The amount treated as  
15   paid by reason of this section shall not exceed \$300 (\$600  
16   in the case of a married couple filing a joint return).

17           “(c) **NET FEDERAL TAX LIABILITY.**—For purposes  
18   of this section—

19                   “(1) **IN GENERAL.**—The term ‘net Federal tax  
20   liability’ means ‘the amount equal to the excess (if  
21   any) of—

22                           “(A) the sum of the regular tax liability  
23                           (as defined in section 26(b)) plus the tax im-  
24                           posed by section 55, over

1           “(B) the sum of the credits allowable  
2           under part IV of subchapter A (other than the  
3           credits allowable. subpart C thereof, relating to  
4           refundable credits).

5           “(2) **FAMILIES WITH CHILDREN.**—In the case  
6           of a taxpayer with 1 or more qualifying children (as  
7           defined in section 32) for the taxpayer’s first taxable  
8           year beginning in 2000, such taxpayer’s net Federal  
9           tax liability for such year shall be the amount deter-  
10          mined under paragraph (1) increased by 7.65 per-  
11          cent of the taxpayer’s taxable earned income for  
12          such year. For purposes of the preceding sentence,  
13          the term ‘taxable earned income’ means earned in-  
14          come as defined in section 32 but only to the extent  
15          includible in gross income.

16          “(d) **DATE PAYMENT DEEMED MADE.**—The pay-  
17          ment provided by this section shall be deemed made on  
18          the later of—

19               “(1) the date prescribed by law (determined  
20               without extensions) for filing the return of tax im-  
21               posed by chapter 1 for the taxable year, or

22               “(2) the date on which the taxpayer files his re-  
23               turn of tax imposed by chapter 1 for the taxable  
24               year.

1       “(e) CERTAIN PERSONS NOT ELIGIBLE.—This sec-  
2 tion shall not apply to—

3               “(1) any estate or trust, and

4               “(2) any nonresident alien individual.”

5       (b) CLERICAL AMENDMENT.—The table of sections  
6 for subchapter B of chapter 65 is amended by adding at  
7 the end the following new item:

              “Sec. 6428. Refund of 2000 individual income taxes.”

8       (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning in 2000.

10       (d) PROTECTION OF SOCIAL SECURITY AND MEDI-  
11 CARE.—The amounts transferred to any trust fund under  
12 the Social Security Act shall be determined as if this Act  
13 had not been enacted.

14       **TITLE II-INDIVIDUAL INCOME**  
15       **TAX RATE REDUCTIONS; EX-**  
16       **PANSION OF EARNED INCOME.**  
17       **CREDIT ASSISTANCE**

18       **SEC. 201. INDIVIDUAL INCOME TAX RATE REDUCTIONS.**

19       (a) IN GENERAL.—Section 1 is amended by adding  
20 at the end the following new subsection:

21               “(i) 12 PERCENT RATE BRACKET.—

22               “(1) IN GENERAL.—In the case of taxable years  
23 beginning after December 31, 2001—

1           “(A) the rate of tax under subsections (a),  
2           (b), (c), and (d) on taxable income not over the  
3           initial bracket amount. shall be 12 percent, and

4           “(B) the 15 percent rate of tax shall apply  
5           only to taxable income over the initial bracket  
-6           amount.

7           “(2) INITIAL BRACKET AMOUNT.-For purposes  
8           of this subsection, the initial bracket amount is-

9           “(A) \$20,000 in the case of subsection (a),

10           “(B) 80 percent of the dollar amount in  
11           subparagraph (A) in the case of subsection (b),  
12           and

13           “(C) 50 percent of the dollar amount in  
14           subparagraph (B) in the case of subsections (c)  
15           and (d).

16           “(3) INFLATION ADJUSTMENT.-

17           “(A) IN GENERAL. -In the case of any  
18           taxable year beginning in a calendar year after  
19           2002, the \$20,000. amount under paragraph  
20           (2) (A)(i) shall be increased by an amount equal  
21           to -

22           “(i) such dollar amount, multiplied by

23           “(ii) the cost-of-living adjustment de-  
24           termined under subsection (f)(3) for the  
25           calendar year in which the taxable year be-

1 gins, determined by substituting 'calendar  
2 year 2001' for 'calendar year 1992' in sub-  
3 paragraph (B) thereof.

4 "(B) ROUNDING RULES.—If 'any amount  
5 after adjustment under subparagraph (A) is not  
6 a multiple of \$50, such amount shall be round-  
7 ed to the next lowest multiple of \$50.

8 "(4) ADJUSTMENT OF TABLES.—The Secretary  
9 shall adjust the tables prescribed under subsection  
10 (f) to carry out this subsection."

11 (b) ADJUSTMENT IN COMPUTATION OF ALTER-  
12 NATIVE MINIMUM TAX.—Paragraph (2) of section 55(a)  
13 is amended to read as follows:

14 "(2) the sum of-

15 "(A) the regular tax for the taxable year,  
16 plus

17 "(B) in the case of an individual, 3 percent  
18 of so much of the individual's taxable income  
19 for the taxable year as is taxed at 12 percent."

20 (C) REPEAL OF REDUCTION OF REFUNDABLE TAX  
21 CREDITS.—

22 (1) Subsection (d) of section 24 is amended by  
23 striking paragraph (2) and redesignating paragraph  
24 (3) as paragraph (2).

1           (2) Section 32 is amended by striking sub-  
2           s e c t i o n (h).

3           (d) CONFORMING AMENDMENT.—Subclause (II) of  
4 section 1(g)(7)(B)(ii) is amended by striking “15 percent”  
5 and inserting “12 percent”.

6           (e) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to taxable years beginning after  
8 December 31, 2001.

9           (f) PROTECTION OF SOCIAL SECURITY AND MEDI-  
10 CARE.—The amounts transferred to any trust fund under  
11 the Social Security Act shall be determined as if this Act  
12 had not been enacted.

13 **SEC. 202. MODIFICATIONS TO EARNED INCOME TAX CRED-**  
14 **IT.**

15           (a) INCREASES IN PERCENTAGES AND AMOUNTS  
16 USED TO DETERMINE CREDIT; MARRIAGE PENALTY RE-  
17 LIEF.—

18           (1) IN GENERAL.—Subsection (b) of section 32  
19 is amended to read as follows:

20           “(b) PERCENTAGES AND AMOUNTS.—

21           “(1) PERCENTAGES.—The credit percentage,  
22 the initial phaseout percentage, and the final phase-  
23 out percentage shall be determined as follows:

“In the case of an eligible indi- vidual with:	The credit per- centage is:	The initial phaseout per- centage is:	The final phaseout per- centage is:
1 qualifying child .....	34	15.98	18.98
2 or more qualifying children	40	21.06	24.06

1 0

"In the case of an eligible individual with:	The credit percentage is:	The initial phaseout percentage is:	The final phaseout percentage is:
No qualifying children .....	7.65	7.65	7.65

1           “(2) AMOUNTS.—

2           “(A) IN GENERAL.—The earned income  
3           amount and the initial phaseout amount shall  
4           be determined as follows:

"In the case of an eligible individual with:	The earned income amount is:	The initial phaseout amount is:
1 qualifying child .....	\$8,140	\$13,470
2 or more qualifying children .....	\$11,120	\$13,470
No qualifying children .....	\$4,900	\$6,130

5           In the case of a joint return where there is at  
6           least 1 qualifying child, the initial phaseout  
7           amount shall be \$2,500 greater than the  
8           amount otherwise applicable under the preceding  
9           sentence.



1           “(B) **F I N A L** PHASEOUT AMOUNT.—The  
2           final phaseout amount is \$26,000 (\$28,500 in  
3           the case of a joint return).”

4           (2) **M O D I F I C A T I O N** OF COMPUTATION OF  
5           **P H A S E O U T**. -Paragraph (2) of section 32(a) is  
6           amended to read as follows:

7           “(2) **P H A S E O U T** OF CREDIT.—The amount of  
8           the credit allowable to a taxpayer under paragraph  
9           (1) for any taxable year shall be reduced (but not  
10          below zero) by the sum of—

11           “(A) the initial phaseout percentage of so  
12           much of the total income. (or, if greater, the  
13           earned income) of the taxpayer for the taxable  
14          year as exceeds the initial phaseout amount but  
15          does not exceed the final phaseout amount, plus

16           “(B) the final phaseout percentage of so  
17           much of the total income’ (or, if greater, the  
18           ‘earned income) of the taxpayer for the taxable  
19          year as exceeds the final phaseout amount.”

20          (3) **T O T A L** INCOME-Paragraph (5) of section  
21          32(c) is amended to read as follows:

22           “(5) **T O T A L** INCOME.—The term ‘total income’  
23          means adjusted gross income determined without re-  
24          gard to—

1           “(A) the deductions referred to in para-  
2           graphs (6); (7), (9), (10), (15), (16), and (17)  
3           of section 62(a),

4           “ (B) the deduction allowed by section  
5           162(l), and

6           “(C) the deduction allowed by section  
7           164(f) .”

8           (       4       )       CONFORMING AMENDMENTS.—

9           (A) Subsection (j) of section 32 is amend-  
10          ed to read as follows:

11         “(j) INFLATION ADJUSTMENT.—

12           “(1) IN GENERAL. -In the case of any taxable  
13          year beginning after 2002, each of the dollar  
14          amounts in subsection (b)(2) shall be increased by  
15          an amount equal to-

16           “(A) such dollar amount, multiplied by

17           “(B) the cost-of-living adjustment deter-  
18          mined under section 1 (f) (3), for the calendar  
19          year in which the taxable year begins, deter-  
20          mined by substituting ‘calendar year 2001’ for  
21          ‘calendar year 1992’ in subparagraph (B)  
22          thereof.

23           “(2) ROUNDING. —If any dollar amount, after  
24          being increased under paragraph- (1), is not a mul-

1        tiple of \$10, such dollar amount shall be rounded to  
2        the nearest multiple-of \$10.”

3                (B) Subparagraph (C) of section 32(c)(l)  
4        is amended by striking “modified adjusted  
5        gross income” and inserting “total income”.

6                (C) Paragraph (2) of section 32(f) is  
7        amended to read as follows:

8        “(2) REQUIREMENTS FOR TABLES.—

9                “(A) IN GENERAL.—The provisions of sub-  
10       section (a) (1) and the provisions of subsection  
11       (a)(2) shall be reflected in separate tables pre-  
12       scribed under paragraph (1)

13               “(B) SUBSECTION (a)(i) TABLE.—The ta-  
14       bles prescribed under paragraph (1) to reflect  
15       the provisions of subsection (a) (1) shall: have in-  
16       come brackets of not greater than \$50 each for  
17       earned income between \$0 and the earned in-  
18       come amount.

19               “(C) SUBSECTION (a)(z) TABLE.—The ta-  
20       bles prescribed under paragraph (1) to reflect  
21       the provisions of subsection (a) (2) shall have in-  
22       come brackets of not greater than \$50 each for  
23       total income (or, if greater, the earned income)  
24       above the initial phaseout threshold.”

'1 (b) REPEAL OF DENIAL OF CREDIT WHERE INVEST-  
2 MENT INCOME. -Section 32 is amended by striking sub-  
3 section (i) .

-4 (c) EARNED. INCOME To INCLUDE ONLY AMOUNTS  
5 INCLUDIBLE IN GROSS INCOME.—

6 (1) IN GENERAL. -Section 32(c)(2)(A)(i) (de-  
7 fining earned income) is amended by inserting “, but  
8 only if such amounts are includible in gross income  
9 for the taxable year” after “other employee com-  
10 pensation”.

11 (2) CONFORMING -AMENDMENT.-Section  
1 2 32(c)(2)(B) is amended by striking “and” at the end  
1 3 of clause (iv), by striking the period at the end of  
14 clause (v) and inserting “, and”, and by adding at  
15 the end the following new clause:

16 “(vi) the requirement under subparagraph  
17 (A)(i) that an amount be includible in  
18 gross income shall not. apply if such  
19 amount is exempt from tax under section  
20 7873 or is derived directly from restricted  
21 and allotted land under the Act of Feb-  
22 ruary 8, 1887 (commonly known as the In-  
23 dian General Allotment Act) (25 U.S.C.  
24 331 et seq.) or from land held under Acts  
25 or treaties containing an exception provi-

1                   sion similar to the Indian General Allot-  
2                   ment Act.”

3       (d) MODIFICATION OF JOINT RETURN REQUIRE-  
4 MENT.—Subsection (d) of section 32 is amended to read  
5 a s f o l l o w s :

6       “(d) MARRIED INDIVIDUALS.—

7               “(1) IN GENERAL.—If the taxpayer is married  
8               at the close of the taxable year, the credit shall be  
9               allowed under subsection (a) only if the taxpayer  
10              and his spouse file a joint return for the taxable  
11              year.

1 2           “(2) MARITAL STATUS.—For purposes of para-  
13           graph (1), an individual legally separated from his  
14           spouse under a decree of divorce or of separate  
15           maintenance shall not be considered as -married.

1 6           “(3) CERTAIN MARRIED INDIVIDUALS LIVING  
17           APART.—For purposes of paragraph (1), if-

18               “(A) an individual —

14               “(i) is married and files a separate re-  
20               turn, and

21               “(ii) has a qualifying child who is a  
22               son, daughter, stepson, or stepdaughter of  
23               such individual, and

24               “(B) during the last 6 months of such tax-  
25               able year, such individual and such individual's

1 spouse do not have the same principal place of  
2 abode,

3 such individual shall not be considered as married.”

4 (e) EXPANSION OF MATHEMATICAL ERROR AUTHOR-  
5 ITY.—Paragraph (2) of section 6213 (g) is amended by  
6 striking “and” at the end of subparagraph (K), by striking  
7 the period at the end of subparagraph (L) and inserting  
8 “, and”, and by inserting after subparagraph (L) the fol-  
9 lowing new subparagraph:

10 “(M) the entry on the return claiming the  
11 credit under section 32 with respect to a child  
12 if, according to the Federal Case Registry of  
13 Child Support Orders established under section  
1 4 453(h) of the Social Security Act, the taxpayer  
15 is a noncustodial parent of such child.”

16 (f) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to taxable years beginning after  
18 December 31, 2001.

## 19 **TITLE III-MARRIAGE PENALTY** 20 **RELIEF**

### 21 **SEC. 301. MARRIAGE PENALTY RELIEF.**

22 (a) STANDARD DEDUCTION.—

23 (1) IN GENERAL.—Paragraph (2) of section  
24 63(c) (relating to standard deduction) is amended—

1 (A) by striking "\$5,000" in subparagraph  
2 (A) and -inserting "twice the dollar amount in  
3 effect under subparagraph (C) for the takable  
4 y e a r " ,

5 (B) by adding "or" at the end of subpara-  
6 graph (B),

7 (C) by striking "in the ease of" and all  
8 that follows in subparagraph (C) and inserting  
9 "in any other case.", and

10 (D) by striking subparagraph (D).

11 (2) INCREASE ALLOWED AS DEDUCTION IN DE-  
12 TERMINING MINIMUM TAX.—Subparagraph (E) of  
13 section 56(b) (1) is amended by adding at the -end  
14 the following new sentence: "The preceding sentence  
15 shall not apply to so much of the standard deduction  
16 under subparagraph (A) of section 63 (c) (2) as ex-  
17 ceeds the amount which would be such deduction but  
18 for the amendment made by section 201(a) (1) of the  
19 Tax Reduction Act of 2001.

20 (3) TECHNICAL AMENDMENTS. -

21 (A) Subparagraph (B) of section 1(f)(6) is  
22 amended by striking "(other than with" and all  
23 that follows through "shall be applied" and in-  
24 serting "(other than with respect to sections  
25 63(c)(4) and 151(d)(4)(A)) shall be applied".

1 (B) Paragraph (4) of section ,63(c) is  
2 amended by adding at the end, 'the following  
3 flush sentence:

4 "The preceding sentence shall not apply to the  
5 amount referred to in paragraph (2)(A)."

6 (b) **EFFECTIVE DATE.**-The amendments made by  
7 this section shall apply to taxable years beginning after  
8 December 31, 2000: